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ABSTRACT

The District of Columbia Public Schools system has taken action to ensure that supply items will be obtained at the most competitive prices. Because lack of storage facilities prevented bulk purchase of emergency items at competitive rates, the Division of Buildings and Grounds has remodeled a building as a warehouse to store large quantities of these items. This measure will reduce not only costs, but also paperwork in the form of the number of purchase orders. Also, other actions will help ensure effective deployment of personnel assigned to the automated student information system and provide better equipment inventory controls. Finally, a review was conducted of bus replacement criteria and repair costs, concluding with a recommendation for redesigning the vehicle maintenance reporting system. The superintendent's response is included. (TE)

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BY THE U.S. GENERAL ACCOUNTING OFFICE

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Report To The Superintendent Of The District Of Columbia Public Schools

Improvements In Certain District Of Columbia Public Schools' Administrative Operations

The District of Columbia Public Schools has taken action to ensure that supply items will be obtained at the most competitive prices. Also, other actions will help ensure effective deployment of personnel assigned to the automated student information system and provide better equipment inventory controls.

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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

GENERAL GOVERNMENT
DIVISION

B-204425

Mrs. Floretta Dukes McKenzie
Superintendent
District of Columbia Public Schools
District of Columbia Government

Dear Mrs. McKenzie:

The General Accounting Office has reviewed selected aspects of the District of Columbia Public Schools (DCPS) operations. Our work focused primarily on the emergency procurement of supplies for the repair and improvement of school buildings and the "paper flow" at the regional office level. We also performed limited review work regarding the controls over accountable DCPS property and equipment. We found that (1) open market purchases of materials and supplies for repairs and improvements can be reduced, (2) the paper flow at the regional office level can be and is being reduced, (3) improved controls are needed in DCPS' inventory management system, and (4) buses scheduled for replacement were adequately justified.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our review were to evaluate the area and regional office administrative organization, emergency purchases for repair and improvement, inventory management and control, and the procurement of replacement school buses.

We reviewed legislation, policy, and procedures; reviewed and analyzed reports, records, forms and other data concerning program operations; and held discussions with DCPS officials responsible for administering the areas reviewed. Our work generally involved activities in fiscal years 1982 and 1983. Also, we visited school systems in Wisconsin and Massachusetts to obtain information concerning their operations as background for our review.

We examined the reason for emergency purchases and whether the DCPS was purchasing supplies and materials at the lowest price. We compared prices actually paid for certain items with prices that could have been paid if the items were obtained from District or Federal Government supply sources. Because we did not make a statistical sample of items which

we believed were available from these sources, we made no projections of cost savings. To evaluate regional office paperflow operations we examined the need for and use of regional office administrative forms. We discussed these forms with responsible officials and reached agreement on whether certain forms could be eliminated. Because the Inspector General reported in April 1982 on the need for better controls over accountable property and equipment we performed limited work concerning this matter. We evaluated the need for new buses by comparing age and mileage against established criteria. We also reviewed repair costs for certain buses.

Our work was performed in accordance with generally accepted government auditing standards.

PURCHASING ON THE OPEN MARKET TO BE REDUCED

Most of the material and supplies purchased for repairs and improvements are made as noncompetitive open market purchases at substantially higher costs than if the items were purchased through District or Federal Government supply sources. Actions planned and/or being taken by the DCPS should reduce future open market purchases and should result in significant cost savings.

The Division of Buildings and Grounds (DBG) is responsible for maintaining about 200 schools and other facilities. The Plant Maintenance Branch of DBG has a workforce of about 100 to perform repair and improvement work. In fiscal year 1982, according to the Branch's financial management report, about $1.7 million was expended for repairs and improvements. About $1 million, or 60 percent, of the total expenditure was for materials acquired through open market purchases, i.e., at retail cost. Most of the purchases were for materials and hardware necessary to repair school buildings. About 5,600 purchase orders were issued for open market purchases in fiscal year 1982.

DBG's Plant Maintenance Branch maintains a log of open market purchases. We examined log entries for the months of October and December 1981, and July 1982. For these 3 months 916 purchase orders were issued. We identified 38 of them for the purchase of items, such as bolts, an electric drill, and basketball equipment, with a purchase price of about $7,300.

We selected only those purchase orders for items that would most likely be available through District or Federal Government supply sources.

For the 38 purchase orders, we compared the purchase unit price with the unit cost for the similar types of items as listed in the General Services Administration (GSA) or the District of Columbia Department of General Services (DGS) catalogs. We found the total amount paid by DBG was about 160 percent more than if the items were purchased at catalog prices. If these items had been purchased from GSA/DGS, DCPS could have saved about $4,500.

DBG officials advised us that supplies and materials are purchased on the open market because (1) over 90 percent of these purchases are of an emergency nature and (2) DBG lacked suitable storage facilities to buy competitively and in large quantities those items frequently used. They also advised us that DGS and GSA were infrequently used as supply sources because the slow service in obtaining the items resulted in idle time for repair and maintenance crews.

DBG is in the process of remodeling a building to serve as a warehouse and provide shops for the various craftsmen. The DBG Director believes the warehouse will be ready in the summer of 1983. A consulting firm has been employed to study the staffing requirements for DBG including its warehousing operations. The DBG Director advised us that plans are to buy in quantity from existing GSA and DGS contracts and also that competitive procurement will be used for those items not available from GSA or DGS.

Under existing procedures, DBG processed about 5,600 purchase orders in fiscal year 1982 with the majority below $500 each. Under the new procedure of buying in large quantities, the number of purchase orders issued should decrease significantly and should also result in a reduction or better utilization of personnel.

CONCLUSIONS

DCPS' actions snould enhance its ability to obtain the most economical price for such items. Management monitoring of these actions is necessary to ensure that the most competitive prices are being received.

RECOMMENDATIONS

We recommend that the Superintendent monitor the actions being taken by DBG to ensure that the most competitive prices are received for all supply items to be stocked in the warehouse. Also, operations should be monitored to assure maximum utilization of personnel who would be associated with the reduction in the purchasing workload.

CERTAIN REGIONAL ADMINISTRATIVE FUNCTIONS WILL BE ELIMINATED

Our review of "paperwork flow" at one regional office indicates that certain data collection and reporting functions can be eliminated. The activity at this region is typical of activities in other regions. The planned automation of certain information gathering methods should also eliminate some paperwork functions.

At the region we reviewed, all incoming mail is received at a central point where it is opened, sorted, clocked, logged in, and distributed to offices in the regional office. The various offices at the region, such as Personnel and Budget, Special Education, and Office of Instruction, process the incoming mail. There is a constant stream of correspondence between offices housed in the regional office and the schools within the region. Requests for data are usually accompanied by forms furnished by the region or headquarters. When the data is received at the region it is checked for accuracy. In some cases the data is consolidated into a summary report for the region, while in other cases the individual schools' reports are forwarded to the central office. In all cases, copies of the reports are filed at the regional office.

At the time of our review there were four regional offices. Each regional office is headed by an Assistant Superintendent who reports to the Deputy Superintendent. According to the fiscal year 1982 budget, these offices were authorized 38 professionals and 28 administrative staff positions.

We reviewed the paperwork at one regional office by examining the use and need of all 95 forms being prepared in the region. Thirty-seven of the forms relating to personnel, budgeting, procurement, and students are routed through the region for monitoring and information purposes and are acted on by a headquarters division. Of the remaining forms, 58 were

created by the region to obtain information on various activities within the region. We found that many of the 58 forms dealt with the same subject. We discussed 55 of them with region officials and they agreed that 35, or about 60 percent, could be eliminated by consolidation with an existing form. Of the 35 forms that could be consolidated, 1 is prepared weekly, 8 are prepared monthly, 1 is prepared quarterly, 5 are prepared semi-annually, 10 are prepared annually, and 10 are prepared as needed.

During our review the Associate Superintendent, Office of Instruction, advised us that significant changes and reductions in "paper flow" will occur as a result of DCPS' computer literacy program. In conjunction with this program, computers and/or terminals will be located in 200 locations including 180 schools and 20 executive offices. The equipment is scheduled for installation by August 1, 1983. The system will be used to record data pertaining to students, including attendance and grading. Information that is now recorded manually, typed, and forwarded to headquarters offices through the regional offices will be input directly to the system through a terminal at each school. Information requests dealing with students, teachers, and administrators can be accessed directly through the computer data base obviating the need for preparing reports. The system will also serve as a network for electronic mail and other administrative functions.

CONCLUSIONS

The use of terminals and computers to collect, store, and report student information should reduce the paperwork flow and some of the workload at the regional offices. The lower level of activity at the regional offices could result in opportunities for better staff utilization.

RECOMMENDATION

We recommend that the Superintendent monitor the transition from manual to automated operation of the student information system to ensure the most effective utilization of personnel.

INVENTORY MANAGEMENT PROCEDURES COULD BE IMPROVED

Physical inventories of accountable property and equipment taken at schools and offices in calendar year 1982 have

not been independently verified. Verification of physical inventories is necessary to establish the reliability of the inventory data base.

Accountable property and equipment in the school system was valued at about $23 million at September 30, 1981. The property and equipment are located in over 240 accountable units (schools, administrative units, etc.) throughout the District of Columbia. In April 1982, the Inspector General (IG) reported that DCPS did not maintain adequate controls over accountable property and equipment throughout the school system. According to the report, computerized inventory control records had not been updated since fiscal year 1979. Basic control documents representing about $3 million of changes to inventory accountability were being accumulated and stored in DCPS' Supply Management and Services Branch because the computer program for updating the inventory needed to be written. The IG reported also that (1) physical inventories had not been taken at the various locations for over 2 years, (2) using units were not reporting equipment acquisitions to the Supply Management and Services Branch for input into the inventory control system, and (3) there were serious deficiencies in the controls over property and equipment at the using locations. The IG also stated that consideration should be given to filling key vacancies within the Supply Management and Services Branch thereby enabling DCPS to maintain an accurate and reliable inventory system.

In April 1982 you advised the IG that the computer program had been rewritten, the inventory file was being updated, and that plans were being developed to conduct onsite physical inventories. Our review showed that some of these actions have not been accomplished--as of May 1983, about 40 accountable units either had not taken and reported their physical inventories or reconciled their inventory with the updated computerized inventory control.

We suspended our review of inventory management when the IG report was issued. However, after reviewing the IG report and your response, we have some observations, based on our limited review, that should be considered before complete implementation of the inventory system changes. These are (1) the need to make an independent verification of inventories being reported by schools and offices, and (2) the need to emphasize the requirement to follow established procedures for

preparing an "Equipment Receipt and Record Card" (Form 359) for equipment shipped directly to schools and offices.

The need for an independent verification of inventories is essential for effective inventory control and is a generally accepted practice when taking physical inventories. The IG reported that, during the last physical inventory in 1979, school officials, for the schools reviewed, deleted about 40 percent of the inventory items from the Equipment Master File. The IG concluded that this deletion of such a large number of items demonstrated that either the school employees did not conduct the inventories properly or security over accountable property at the schools was seriously deficient. The IG further reported that no reviews or spot checks of inventories were made by the Supply Management and Services Branch to determine the accuracy of the inventories taken in 1979.

During our review the official assigned responsibility for inventory management advised us that the current inventory procedures could be circumvented. This official said that personnel are not available to act as independent observers during the taking of physical inventories by school and office personnel or even to perform spot checks at selected locations to verify inventory reports. The official also said that, absent independent verification procedures, individuals at the schools and offices could choose to list only those inventory items for which they have an "Equipment Receipt and Record Card" (Form 359) rather than taking a physical inventory.

Equipment Receipt and Record Cards need to be prepared for all equipment to assure that all acquisitions are recorded in the school system inventory. Most of the equipment acquired by DCPS first passes through its warehousing operation at which point a form 359 is prepared. This form is used to record inventory acquisitions and is the source document for entering the acquisition into the computerized inventory system.

During our review we noted that some computers were not included in the DCPS' inventory system. The Assistant Supply Management Officer advised us that this happened because form 359s generally are not being received when equipment is shipped directly to the user facility. We recognize that the DCPS is in the process of reconciling physical inventories with the computer master file and this situation should be

resolved. However, to ensure a continued accurate inventory system, the importance of preparation of the form 359 should be emphasized.

We discussed these matters with the Director, Division of Logistical Support (DLS); the Supply Management Officer; and the DLS' Office Services Manager. These officials said that, because of budget constraints, certain key positions within the Supply Management and Services Branch responsible for record maintenance and control over equipment have gone unfilled, and additional personnel would be required to take or observe the taking of a physical inventory of DCPS equipment. The DLS Director said that school and other officials do not have an appreciation for the need to maintain proper controls and accountability over DCPS property. However, before deciding if additional staff is needed, an assessment of existing workload priorities should be made.

CONCLUSIONS

Actions have been taken or are underway in response to the IG report to improve the school system's inventory management. A reliable inventory management system requires not only accurate updating for new acquisitions or disposals but an accurate base inventory as a starting point. We believe some verification of physical inventories and assurance that Equipment Receipt and Record Cards are prepared for all acquisitions will improve the accuracy of the inventory base.

RECOMMENDATIONS

We recommend that the Superintendent complete the taking and reconciliation of physical inventories and require spot checks to establish the reliability of reported data on inventories. We also recommend that the Superintendent emphasize the requirement of reporting all inventory acquisitions, especially those shipped directly to the using facility.

REPLACEMENT OF SCHOOL BUSES

The fiscal year 1983 DCPS budget provided $912,000 to replace 49 buses, including those used to transport handicapped children. The replacements were justified on the basis of age and/or excessive mileage and resultant increases in maintenance and repair costs.

As part of our review we examined the need for the 49 replacement buses. We performed this review for 36 of them. According to the District's Bureau of Materiel Management's replacement schedule, vehicles to be replaced must meet certain age or mileage criteria. For buses, the replacement criteria depend on the size of the bus and whether the bus is specially equipped. For example, a 66-passenger bus must be at least 10 years old or have an odometer reading of 150,000 miles; whereas, a 9 passenger wheelchair equipped bus must be at least 6 years old or have an odometer reading of 72,000 miles. Our review of the records maintained for the 36 buses showed that the buses met the age and/or mileage replacement criteria.

We also reviewed records to determine the cost of repairs. We performed this for two of the replacement buses. One bus was purchased in 1970 for about $8,000. According to records maintained by the Transportation Section of DLS, the cost of repairs from 1971 through 1981 totaled about $22,500 of which about $4,800, or 21 percent, was incurred in 1981. The other bus was purchased in 1973 for about $8,100. For the period 1973 through 1981 the cost of repairs totaled about $14,700 of which about $6,900, or about 47 percent, was incurred in 1981. The Transportation Officer advised us that because of excessive repair costs, age, and mileage these two buses should be replaced.

During our review the Transportation Officer advised us that the current computer based vehicle maintenance reporting system was unsatisfactory primarily because the reports were not timely and contained data not useful for his needs. We agreed to inquire whether GAO would be able to provide technical assistance and advice to redesign the vehicle maintenance reporting system to better meet his needs. In response to the DLS Director's request, GAO detailed a staff member to work with DLS' Office of Management Services to redesign and improve the reporting system. The system's redesign is ongoing.

AGENCY COMMENTS

The DCPS Superintendent in commenting on our draft report said that the:

--Actions of DBG will be monitored to ensure that the most competitive prices are obtained, and that the

duties of personnel assigned to the purchasing function will be appropriate.

--Transition of the student information system will be monitored to ensure an efficient operation including the most effective deployment of personnel assigned to this function.

--DCPS will provide for periodic independent review of the correspondence of physical inventories of equipment with data reported concerning acquisition and disposal, and direct appropriate attention toward ensuring the accuracy of the base inventory with due consideration to accounting for all acquisitions of equipment.

The Superintendent's comments are included in the appendix.

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We appreciate the cooperation and support given us during the review. Copies of this report are being sent to the Mayor; the Chairman, Council of the District of Columbia; the President, Board of Education; the District of Columbia Auditor; the Inspector General of the District of Columbia; and interested congressional committees.

Sincerely yours,

W. J. Anderson

William J. Anderson
Director

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July 5, 1983

Mr. William J. Anderson
Director
General Government Division
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Anderson:

We have reviewed the draft report entitled "Review of Selected Aspects of District of Columbia Public Schools Operations" which was prepared by the staff of the U.S. General Accounting Office and transmitted to us on June 7, 1983. Our comments regarding each recommendation are:

Recommendation #1

The Superintendent will monitor the actions of the Division of Buildings and Grounds, including the pending reorganization, to ensure that supply items stocked in the warehouse will be obtained at the most competitive prices; and that the duties of personnel assigned to the purchasing function will be appropriate.

Recommendation #2

The Superintendent will provide for monitoring the student information system automation transition to ensure efficient operation, including the most effective deployment of personnel assigned to this function.

Recommendation #3

The Superintendent will provide for periodic independent review of the correspondence of physical inventories of equipment with data reported concerning acquisition and disposal. Appropriate attention will be directed toward ensuring the accuracy of the base inventory, with due consideration to accounting for all acquisitions of equipment.

Sincerely yours,

Floretta Dukes McKenzie
Superintendent of Schools
Chief State School Officer

FDMcK:bfs
cc: Mr. Hawkins

(428100)